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1 September 2017

Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto, ON
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Attn: Ms Kirsten Walli
Board Secretary

By electronic filing and e-mail

Dear Ms Walli:

Re: DSM Mid-Term Review (EB-2017-0127 and EB-2017-0128)
GEC comments Phase One Issues

The Board seeks comment on two matters in the initial phase of the DSM Mid-Term Review:

- Consideration of the relationship between the current suite of DSM programs and actual C&T activities of customers with their own compliance obligations

- Consideration of the attribution of costs and savings to ratepayer-funded DSM programs where natural gas utilities offer carbon abatement programs in the market

In response, GEC offers these comments in somewhat of an information vacuum, there being no utility filing or analysis yet available and considerable uncertainty about the nature of government programs that will be funded by Cap and Trade revenues[1]. That said, GEC submits:

1. As government programs and individual customer responses to compliance requirements are as yet unknown, evolving or subject to change, to minimize lost opportunities and maximize progress toward achievement of Ontario's efficiency goals it is important to maintain the utility DSM presence in each sector for at least the interim period.

2. As C&T funding and specifics of programs emerge, LDC programs should be revised to avoid duplication and, where possible, to take advantage of economies of scale and

[1] Government programs disbursing C&T revenues have been referred to variously as the Green Bank, Green On, and the Green Investment Fund). They are referred to here as C&T funded programs.

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scope in marketing, delivery and administration. LDCs should report on the status of these efforts on a program by program basis (and where necessary a measure by measure basis) at the next stage of the mid-term review and in their subsequent filing for the next DSM period.

3. Attribution should follow the existing rules.

Market Barriers Persist

GEC notes that the advent of large emitter compliance obligations will somewhat ease the market barrier to cost-effective energy efficiency flowing from fuel prices failing to capture the full extent of societal costs. However, most of the barriers to full implementation of cost-effective energy efficiency persist, including *inter alia*:

- Lack of information or awareness;
- Customer payback period requirements that are far shorter than long-lived measure paybacks;
- Technology risk concerns;
- Limits to customer capital availability and competing demands for same;
- Focus of decision-makers on other immediate core business matters and quarterly results.

Accordingly, large customer compliance requirements do not obviate the need for DSM program support.

Free-Ridership Should Be Minimized through Improved Program Design

Free ridership by large C&I customers has been an oft-cited concern in Ontario gas DSM proceedings. This concern will undoubtedly be raised by other parties again in this phase of the mid-term review. However, as GEC has repeatedly stated and demonstrated in numerous OEB regulatory proceedings, free ridership is largely a function of DSM program designs rather than an inherent feature of different market segments (including the large customer market segment). As GEC has also pointed out in past submissions, extensive evidence from across North America suggests that there is significant untapped (non-free rider) efficiency potential from large customers. There is no evidence that the internalization of carbon emission costs will fundamentally change that conclusion. Thus, the utilities' programs, now more than ever (with one market barrier eased), need to focus on achieving more difficult, more complex, longer payback (but still cost-effective) savings that will not otherwise be captured because of other market barriers. That may require better target marketing or outreach strategies, increases in rebate levels (necessary to cover enough of the incremental cost of more expensive measures to affect customer investment decisions) and/or other changes.

Attribution Rules will cover concerns as facts emerge

If LDCs are delivering RFP awarded C&T funded programs, they may be able to extend these budgets from DSM budgets to reach more of the market, or the LDCs may be able to synergistically extend the scope of programs to cover more measures, or LDCs may be able to leverage funds to improve rebates and program design and lower free-ridership. In all of these situations the pre-existing attribution rules should be adequate. Alternatively, if the C&T funded programs are distinct from LDC DSM programs, no attribution will be required.

That said the situation is at present largely unknowable and fluid and the Board should revisit this in 2018. Accordingly, the current attribution rules should be maintained pending that fuller review informed by facts and events.

GEC has had the benefit of reviewing Environmental Defence's draft submissions. GEC concurs with ED's submissions in regard to the scope of phase II of the mid-term review.

Sincerely,

David Poch

Cc:	Valerie Bennett
	All parties